



Accounts Payable Guide

Improving your processes:

Tips for leaders, managers, supervisors
and accounts payable clerks



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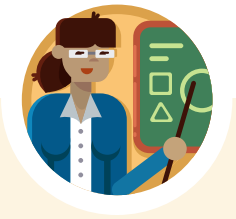
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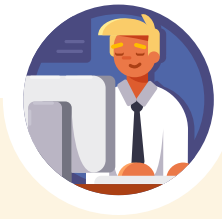
Leadership

Leadership sets policy and direction for financial operations, such as accounts payable. They also make important decisions about the overall structure of control systems – how accounts payable functions will be organized, when to invest in technology, and when to invest in making improvements to the overall process.



A/P Clerks

Accounts payable (A/P) clerks carry out the fundamental tasks of processing vendor payments. They are responsible for following policy established by leadership, following the internal control system principles established by management, and safeguarding sensitive information.



Supervisors

Supervisors of the accounts payable process monitor disbursement activities to ensure policies are followed and internal controls operate as designed. They oversee disbursements to vendors to ensure they are valid and supported. They are deeply involved in the day-to-day oversight of the disbursement processes.



Managers

Managers carry out high-level policy decisions set by leadership, determine the design of internal control systems, and suggest system improvements. They support the overall accounts payable function and look for ways to reduce risks or increase efficiency.

Summary

Accounts payable processes significant payments to vendors for goods and services, keeping local government operational. Those vendors, some of which are in your community, rely on prompt payment so that they can cover their own bills, too. Payment must be accurate, as taxpayer dollars need to be spent wisely. Internal controls must be strong to avoid costly errors and to spot fraudsters attempting to divert payments.

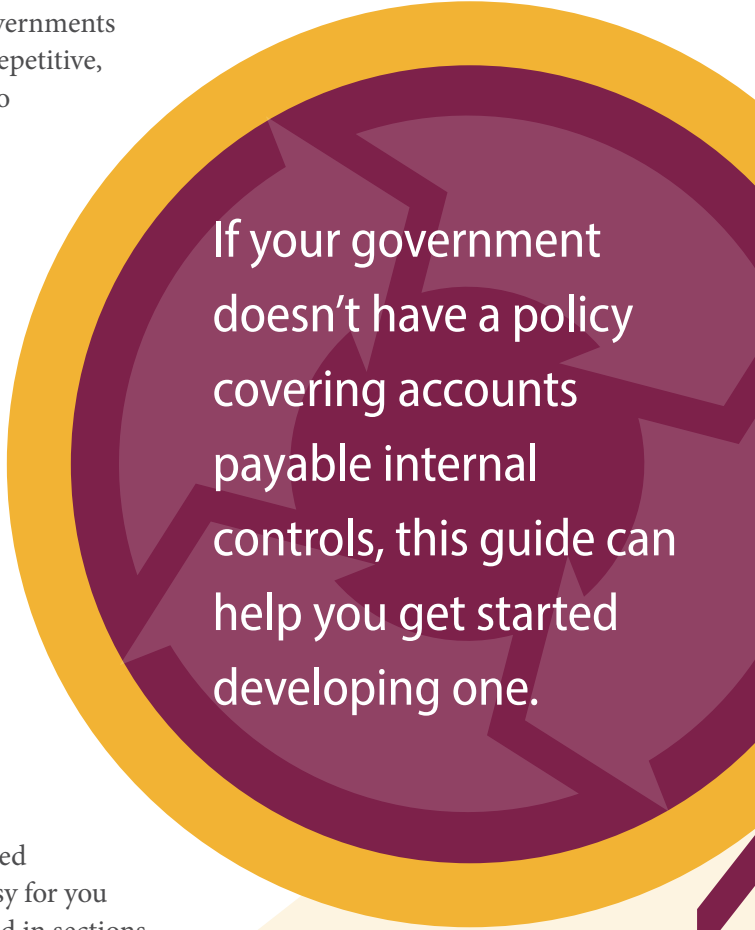
The pandemic has spurred increased interest in paperless processes and automation in accounts payable. In fact, some local governments have made considerable gains in efficiency by automating repetitive, manual processes. Now's a good time to look at new ways to automate your processes and new methods to reduce your risks of errors or fraud.

We know the challenges governments face in managing accounts payable processes, and in striking just the right balance between internal controls and the costs of those controls. Governments are busy managing daily operations, and sometimes they don't have the time to do the research to discover better ways of doing business.

An organization-wide policy that sets the direction and expectations for accounts payable processing is critical. If your government doesn't have a policy covering accounts payable internal controls, this guide can help you get started developing one. Although there is no one solution that fits every government and every situation, there are certainly some best practices, ideas, and suggestions to consider.

We know you have limited time. That's why we have prepared guidance for you, regardless of your role. We've made it easy for you to find just what is relevant to you. This guide can be printed in sections and distributed to whomever is in charge of certain responsibilities.

This guide is intended to provide ideas and best practices that can help you build a stronger accounts payable process. We hope you find our Accounts Payable guide helpful in your work!



If your government doesn't have a policy covering accounts payable internal controls, this guide can help you get started developing one.



Leadership

Start your accounts payable policies today!

Accounts payable is a routine process that might escape your notice, but let's not forget how many public dollars flow through this system. It's important to have a comprehensive policy over this key process to communicate expectations and establish internal controls. Here are some things you might think about when developing your policies, no matter the size of your organization.

Make sure employees know the rules

Different types of transactions need different types of policies. Each policy will authorize the expenditure to occur, let employees know what to do, and provide finance staff the information they need to audit the payment request to the governing body's specifications. Municipal Research and Services Center (MRSC) has many examples of such policies on its website (<https://mrsc.org/Home.aspx>), such as:

- **Travel and meals policies** are critical if you give travel advances, reimburse employees for their work-related travel costs, or pay for meals in or out of travel status.
- **Credit card policies** should support the program you have in place, including how to handle violations like late or missing receipts or misuse.
- **Procurement policies** guide employees to comply with local, state, and federal laws and regulations and ensure a fair price is obtained. Your policies should establish when purchase orders are required and how the goods should be received and evaluated upon arrival.
- **Other policy categories** might include employee recognition, wellness programs, retirement awards, or employee tuition reimbursement.

Develop expectations for managers (or departments) who approve invoices or other payments

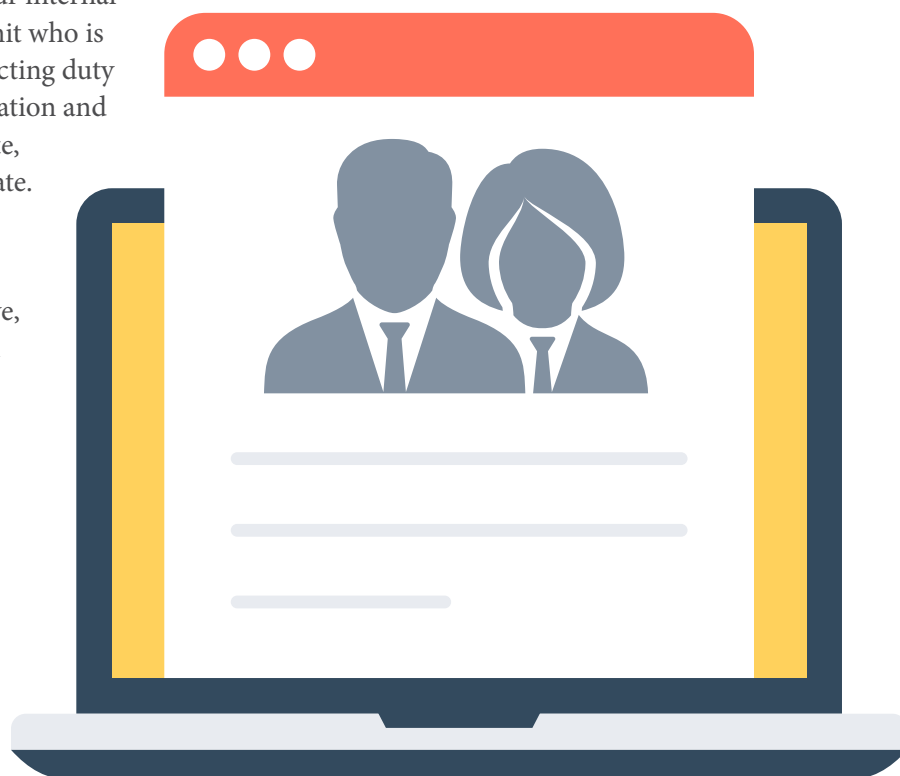
- **Approval timeline** – Specify the turnaround time for approvals so that vendors can be paid on time and expenditures can be recorded in the appropriate accounting period. For example, you might require that review take place within a week of receipt.
- **Required support** – Describe the support required for various payment types. Address requirements for purchase orders, original (and detailed) receipts and source records, and evidence goods or services were received.



- **Screening for duplicates** – Make it clear that employees are expected to watch for and avoid approving duplicate invoices or payment requests.
- **Check run schedule** – You probably have a weekly, biweekly or monthly check run schedule. Formalize it in policy and establish a cut-off date for others to submit payment requests.
- **Rushed check requests** – Document the criteria that will be considered for any rushed check requests and who will approve them outside of the scheduled check runs. You might consider someone of higher rank as the designated approver to minimize and discourage requests.

Manage your vendor master file

- **Verify vendor information** – Describe your internal control steps for adding a new vendor. Limit who is permitted to add new vendors (it's a conflicting duty for accounts payable), describe the information and support needed to verify they are legitimate, and require staff to verify it is not a duplicate.
- **Keep it current** – Define how your vendor database should be monitored and maintained to ensure it only contains active, valid vendors. A good policy will require a periodic review for duplicates and address the process for when vendors should be inactivated, purged or archived.
- **Standardize vendor names** – Establish a naming convention to standardize how vendor names will be entered into the master file. This should address how to handle capitalization, acronyms, punctuation, and vendors that begin with "The." This helps prevent duplicate vendors, a cause of duplicate payments.
- **Safeguard vendor information** – Address the controls over adding or changing a vendor's contact or banking information to ensure they are valid.
- **Identify riskier vendors** – Define your procedure for identifying and monitoring vendors that have more issues than others. These might be vendors that send duplicate invoices, fail to issue credit memos for returns, have frequent pricing issues, or send incomplete statements.



Develop guidelines for those processing invoices and payments

- **Standardize invoice number entry** – Establish standards for invoice number entry, including how to handle punctuation and capitalization. This is important because the invoice field is often a software control to identify potential duplicate payments.

- **Three-way match controls** – A three-way match means comparing quantities and price on the purchase order, receiving document, and invoice. This is a standard industry best practice.
- **Invoice processing** – Provide direction on the steps to review and verify each type of invoice or payment request. For an example, refer to [Appendix A](#).
- **Invoice approvals** – There should be a list of approvers and a corresponding approval dollar limit for those who process payments. Designate who is responsible for preparing and updating this list. This information should not be included in policy or made widely available within your organization, to make it more difficult for unauthorized payments to be forged or manipulated from within or outside of your organization.
- **Accuracy check** – Communicate how those who process invoices should verify the accuracy of their data entry. One option is to enter invoices in batches, where dollar amounts are compared in total. Another option is a self-audit or peer-audit of the system information to source records. Reviews might be regular or periodic.
- **Duplicate prevention** – Identify the controls that you have in place to prevent and/or detect duplicate payments. See [Appendix B](#) for a list of possible controls that help with duplicate payments.
- **Payment timelines and methods** – Communicate your expectations about taking advantage of early payment discounts and paying vendors within agreed-upon credit terms. Identify how you will pay those vendors (check, ACH, credit card, wire, etc.), and the process and controls over each payment type.

Define the monitoring or supervisory activities

- **Data entry review** – Describe the extent to which the data entry should be monitored for accuracy by a supervisor.
- **Execution of payments** – Summarize what must be done to issue payments to vendors and designate who will review the report of scheduled payments and who will compare this to the report of actual payments issued to ensure no unauthorized changes were made.
- **Statement reconciliation** – Assign responsibility for reconciling vendor statements and the monitoring of those reconciliations.



- **Auditing officer** – Designate this role and document their responsibilities (RCW 42.24.080).
- **Records retention and destruction** – Address the retention and archival of expenditure records (hard copy and electronic) by establishing the length of time records must be kept, how records should be retained and disposed of, and who is responsible.

Segregate conflicting duties

You can be broad in your policy and give some general guidelines about segregating duties.

If you have the ability to fully implement segregation of duties, you can segregate duties between the following roles. Make sure that no one has more than one role in the overall process.

- **Authorization responsibilities** – those who approve purchase orders or invoices/payments, or sign checks.
- **Recording responsibilities** – those who process payables and record them in the general ledger.
- **Custody of assets** – those who perform the check run and mail checks to vendors, or those that receive the goods supplied by vendors.
- **Reconciliation** – those who reconcile the claims clearing or other bank account.

Alternatively, you have the option to be very specific. Again, assuming you have the ability to fully implement segregation of duties, you can:

- Specify any duties accounts payable should not do. For example, accounts payable clerks are not allowed to purchase or receive goods, reconcile the bank account, perform or approve the check run, or add or edit vendors in the vendor master file.
- Require the accounts payable supervisor to be independent of processing payables in order to effectively conduct oversight procedures.

If you are a smaller organization and there are conflicting duties you cannot segregate, then you can modify accordingly and instead describe compensating duties you have in place.

Do you want to know more about segregating duties? See the accounts payable section of our guide at <https://portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18538>



Leadership

Tips to save time in your accounts payable process

The accounts payable process verifies more transactions than any other finance activity and pays out significant sums of money. It takes resources to do this properly, and there is much at stake. It's worth evaluating ways to preserve resources and make better use of staff time.

Here are several options to consider:



Take advantage of early payment discounts

You are usually better off taking advantage of early payment discounts – for example, saving 1% for paying 20 days early translates to an annualized rate of 36% (more than you can earn in the investment market; use this [tool](#) to check potential savings). However, if you do not have the available cash, then you might need to pay on standard terms. Make sure to communicate to accounts payable staff your expectations about taking advantage of early payment discounts. If you have an automated payment system, you are in an even better position to process payments quickly and possibly negotiate more favorable early payment terms with your vendors.

Avoid the many costs of late payments

Late payments can strain vendor relations and result in penalties, late fees, and second invoice copies sent to you (a common cause of duplicate payments). Devote adequate resources to paying on time. In addition, develop strong monitoring controls such as the use of a performance measure, like percentage of invoices paid by the due date.



Put a rush on it, please

Last-minute payment requests for manual checks are costly! It takes extra work to approve, generate, and record rush payments outside of your normal process. Ideas to reduce these include:

- 1) perform check runs more frequently,
- 2) make it more difficult to obtain a rush payment by requiring special approval from a high-ranking finance official,
- 3) pay electronically, and
- 4) track reasons for the requests to see if there is a pattern and if other solutions might be an option.

Cash in on rebates with p-card programs

Purchasing-card programs have two primary benefits that can save you time or money. First, they consolidate many small purchases into one monthly statement, which can save hours of processing time. Second, these programs offer rebates that can be negotiated!

So many reasons to go paperless

You can save on data entry by employing technology that reads invoices. Once the invoice is scanned, you can also route electronic invoices for approval and shorten processing times. This increases transparency, allowing the documentation to be readily available to those who might need to see it. Of course, you'll need the right security protocols and audit trails in place to go paperless.

Explore electronic payment options

There are many benefits to switching to electronic payments, such as ACH. You'd no longer have to print checks or deal with stolen, lost or stale-dated checks. However, you will need the appropriate security controls for using the electronic payment method.

Take ordering and receiving online

An electronic purchase order coupled with electronic receiving eliminates routing hardcopy documents to accounts payables. This means the invoices can often be processed quickly, using a digital three-way match (purchase order, packing slip, and invoice). This can also allow you to more easily take advantage of early payment discounts, too.



Help vendors help themselves

If you use a vendor portal, vendors can access and update bank accounts or remittance addresses and lookup the status of their invoices—all without contacting accounts payable. This saves your staff time. Make sure to use multifactor authentication for any vendor self-service portal.

Automate invoice dispute resolution

Invoice and payment disputes often involve multiple departments, communication with the vendor, and time-consuming follow up for accounts payable staff. Automating this process can help bring more visibility as well as an easier and faster resolution to disputes.

Cash in on duplicate payments

Duplicate payments are costly to an organization and may occur despite your best efforts to prevent them. You might not have the resources or ability to identify all potential duplicate payments that occurred during a year. To recoup losses, some organizations contract for a special audit to find these duplicate payments. The contracted auditor is usually compensated on a contingency basis, so there is no cost to you.

Accounts payable clerks

Remember these best practices when processing invoices

You process a significant amount of payments accurately and timely, verifying information as you go and paying attention to numerous details. Your work ensures vendors in and outside of your community are paid on time for the goods or services they provide. To help you along the way, here are some best practices and principles.

Let policy be your guide

Always follow policies and procedures and make sure to adhere stringently to all internal controls. If you have suggestions where policy or procedure could be improved, speak up and share them with your manager.

Make your own handbook

You know your job, but would others if they had to step in? Maintaining desk manuals of your duties adds value to the internal control system. Snapshots of the various computer screens are helpful when detailed instructions are needed on how to do something.

Some things just shouldn't be shared

Don't share your log-in credentials and lock your terminal when you step away from your desk.

Be on your guard for bad actors

Your position responsibilities could make you a target for fraudsters. This means that you might receive fake or phishing emails, where bad actors try to gain access to your system or get you to send payments to their account. Before you take action, be sure to verify the requester's identity by contacting them directly from information you already have on file.

Think like an auditor

Be diligent, thorough, and questioning in the verification steps that you take when reviewing invoices and supporting documentation. Make sure you check everything you should. If you are not clear on the verification steps needed for each type of payment, make sure to ask your supervisor for guidance.



Play your part in preventing duplicate payments

When in doubt, always look up whether an invoice has already been entered or paid—before you enter it. During data entry, it's important to enter invoice numbers accurately and consistently, so that the software controls can alert you to a potential duplicate (most software uses the invoice field to warn of potential duplicates). Other important steps can include identifying and inactivating duplicate vendors in the vendor master file.

Travel has its risks, but so does paying travel bills

Employees should clear a travel advance promptly after returning from a trip. Make sure to track these and notify management if they are outstanding too long.

There is also a risk of duplicate payments when an employee has both a government credit card and submits expenses for reimbursement. You should review the charges for both sets of documents simultaneously to monitor for this risk.

Don't be late for important dates

Pay invoices on time! Only pay early when taking advantage of early-pay discounts, otherwise it can negatively affect your government's cash flow. Avoid paying late too. Vendors count on punctual payment so they can cover their own bills. Paying on time also guards against late fees and vendors sending a second invoice—a common cause of duplicates.

Ask for help with missing receipts

Credit cards and procurement cards can save costs, but they also can result in some issues. If tracking missing receipts becomes a burden for you be sure to involve your manager. It's important they understand the entirety of the problem, so that they can take action and hold cardholders responsible.

Persevere with the problem payments

Invoices with discrepancies often become past due and take a significant amount of resources to resolve. You might be following up repeatedly or waiting on other departments or the vendor. Be diligent in your follow up, but also discuss with your manager if you are spending a lot of time and not getting the response from others that you need.



Supervisors

Remember these best practices when reviewing accounts payable

Supervisors play an important role in the accounts payables process! They are in the best position to identify red flags and discrepancies while performing their oversight procedures. Here are some tips to help you make sure your oversight procedures are top notch.

Review vendor statements

It's an industry best practice to reconcile vendor statements to accounts payable records. While your staff may do the reconciliation to identify duplicate payments or other discrepancies, it's important that you periodically review statements too. You'll want to make sure they are reconciled and activity meets your expectation, including the timeliness of payments. Some vendors do not send statements, unless you request them. Others send statements and do not include all activity. You might need to work with your vendors to get what you need.

Flag and monitor high-risk vendors

A scoring system can help you identify your highest risk vendors for more frequent monitoring. Higher risk vendors might include those that send duplicative invoices, fail to send credit memos, send statements without all activity or do not send statements at all, do not include purchase order numbers on invoices, or have frequent pricing issues.

Review your before and after reports

Make sure you review and approve a report of scheduled payments (check and electronic) and compare it to the final report of actual payments made. You should approve both reports and document that you performed this important internal control that verifies no unauthorized changes were made in between preliminary approval and actual payment. The preliminary reports should receive a robust review.

Keep watch on the check runs

Secure your check stock when it is not in use and monitor it to ensure it's all accounted for by looking for gaps in the numbering sequence. Blank check stock should be pre-numbered (usually it's on the back of the page; this is different from the warrant or check number). After a check run, reconcile to the number of checks printed and account for any differences.



Late fees

Of course you want to pay invoices on time to avoid late fees and penalties but if they happen, be sure to track and monitor them in your general ledger.

Monitor exception invoices

As a supervisor, you should monitor the nature and extent of invoices held for payment because of discrepancies or other issues, including those that have not been entered into the system. It's best to identify common causes for the holds and coordinate with others in your agency to resolve the underlying issues preventing ease of processing. If resolving accounts payable holds depends on others' assistance, help them understand a timely response is needed so delays are minimized.

Review and monitor aging reports

Aging reports are critical to monitoring an accounts payable process and ensuring vendors are paid on time. The aging of entered, but unpaid invoices should be reviewed for its non-current activity (probably anything over 30 days) to determine if it is reasonable and meeting expectations. The information in this report can also help you forecast cash flow needs. In addition, the credit memo aging report should be evaluated, in case you need to request refunds from vendors with outstanding credit balances.

Monitor any exception reports that you have

Your software system might come with canned reports to help you identify unusual activity. Explore the reporting options available to you, or custom-design queries for your own use. For example, one exception report might be payments made to any accounts payable staff or others in management or finance. Monitor these reports to identify potential issues.

Conduct rolling audits

Enhance your monitoring efforts with audits. [Appendix C](#) provides a list of possibilities like vendor, pricing, and sales tax audits. It deters fraud when others know you are checking, and it helps you identify issues before they become larger, long-term problems.

Track performance metrics

Metrics are a great way to measure how accounts payable is doing over time. [Appendix D](#) includes a list of possible measures, like the percentage of invoices processed within 10 days.



Managers

Reduce risks in your accounts payable process

Significant amounts of money are expended through an accounts payable process, so it's important to ensure internal controls are strong to minimize risk of error, fraud, or loss. Here are some steps managers can take.

It's time to clean house

Give your vendor master file an annual scrubbing! It's important to clear out any duplicate or unused vendors as well as bankrupt or out-of-business vendors. You might inactivate vendors when you need to retain transaction history, and then archive those vendors when the history is no longer needed. Limit access to this file, so that it stays as clean as possible in between scrubbing!

Is that new vendor legit?

It's important to take steps to verify that any proposed new vendors are legitimate. Steps can include requiring a W-9 form for all vendors and validating the information via the Internal Revenue Service Tax Identification Number Match application, which can be found online at <https://www.irs.gov/tax-professionals/taxpayer-identification-number-tin-matching>. Other steps might be checking for licensure, registration with the state, running a credit report, or other Internet research.

Use naming conventions

Vendor names (when added to the vendor master file) and invoice numbers (when entered for payment) need to be entered consistently to prevent duplicate vendors or payments from occurring. Developing a naming convention can assure you achieve consistency. This should address the challenges of capitalization, punctuation, abbreviation differences, and vendor names that start with "The."

An industry best practice: the three-way match

Your internal controls should include the three-way match, which involves agreeing the purchase order, receiving document, and the invoice. If quantities and price agree among all three source documents, then the invoice can be processed and paid. This is an industry standard and best practice for ensuring accurate payments, and it should not be eliminated in order to save time.



Centralize accounts payable processing

Processing and entering invoices is best done in a centralized department, in finance. This means a core set of employees will receive training to understand processes and controls to ensure a high degree of accuracy and consistency when verifying invoices or other payment requests. It also allows for proper segregation of duties, because central accounts payables clerks do not typically approve, order, or receive goods.

Keep it on the “need-to-know” basis

At least annually, someone should check that employees have only the system rights needed to perform their job duties and no more. For example, if a clerk doesn't generate A/P checks, then they don't need access to this function in the software application. Also, the accounts payable manager should not have super user or admin rights. All access should be need driven and no user (not even the manager) should have the ability to create, approve, and process a transaction from start to finish.

Put a stamp on approval and signature authorities

You should clearly communicate to accounts payable clerks who is authorized to approve invoices, up to what dollar threshold, and when two signatures are required. In larger organizations, accounts payable personnel might also need signature specimens to validate the approval. This approval hierarchy should not be broadly available across the organization, only to those who need it.

In addition, limit check signers to as few as possible and make sure they are available to sign checks. Check signers should not be selected based on title or rank, but rather by business need. Preferably, their signatures would not be on public-facing documents, which could increase the risk of check fraud.



Use banking services to verify payments

If you process checks, then payee positive pay can help you detect check fraud. Banks offer this service, which matches up information on a check presented for payment against a list of information that you supply. You can also opt to use an account validation service for ACH payments. This service allows you to verify that the account you are sending to is owned by who you think it is. It also can provide the status of the account. Consult periodically with your bank to see about any new service offerings that might be beneficial.

Make efforts to reduce duplicate payments

Duplicate payments are a common problem with accounts payable functions. Avoiding duplicates requires a concentrated multi-pronged approach within your internal control process. See [Appendix B](#) for a list of possible controls that help prevent or detect duplicate payments.

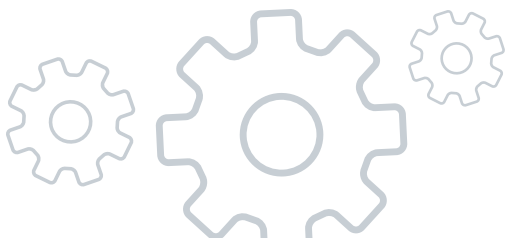
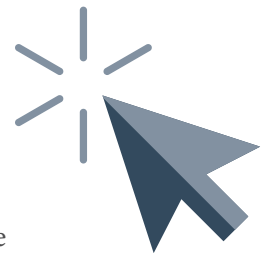
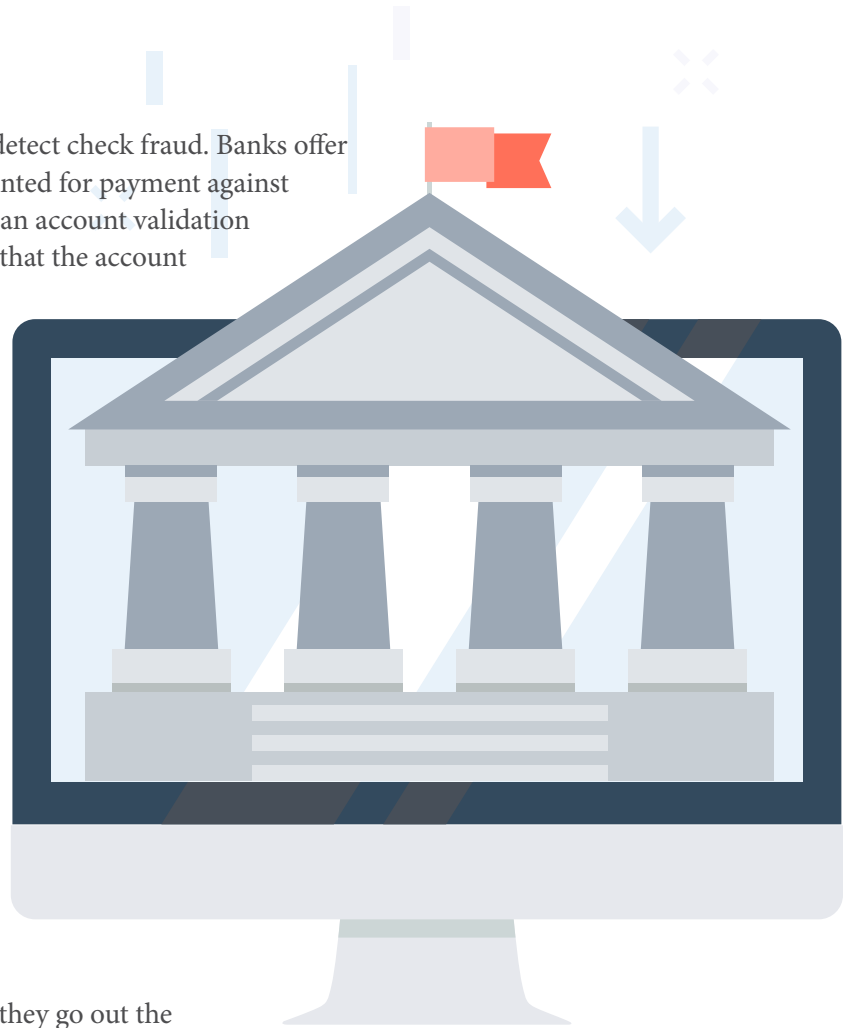
Empower accounts payable staff to speak up

Accounts payable staff are an important line of defense in making sure payments are legitimate and accurate before they go out the door. They should have the support and encouragement of management to raise questions and get answers to anything that looks strange. They should have the discretion to hold any payment if needed until further research can be done. This can help protect your organization in many ways, including from fraudsters who pose as authority figures and pressure for immediate payments to occur.

Give your controls a periodic check-up

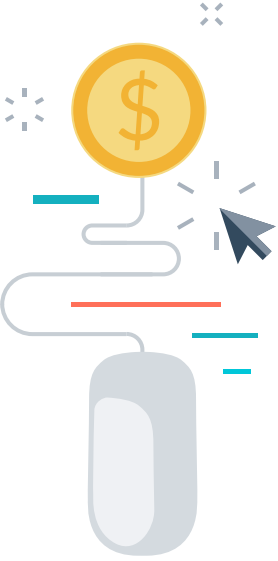
SAO's Center for Government Innovation has resources to help you give your accounts payable review controls an in-depth annual checkup:

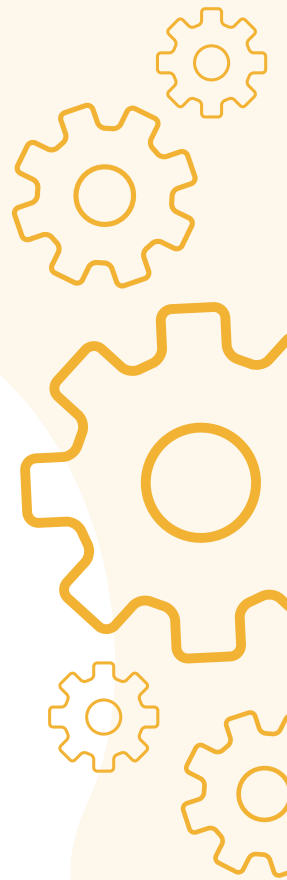
- 1) Accounts payable process internal control checklist: [//portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18562](https://portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18562)
- 2) Segregation of duties guidance, accounts payable chapter: [//portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18538](https://portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18538)
- 3) Segregation of duties checklist, see accounts payable section: [//portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18549](https://portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18549)



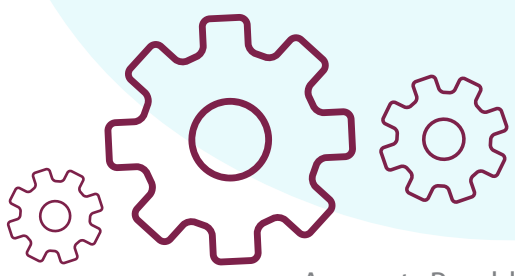
Appendix A: Example verification procedures

Here are some examples of invoice verification procedures you can refer to when developing your own. Verification procedures can vary by payment type and might be influenced by the policies you have in place.

Payment type	Verification procedure
<p data-bbox="110 520 397 604">Standard, applies to every payment</p> 	<ul data-bbox="446 520 1282 1575" style="list-style-type: none">• Verify the invoice has a corresponding purchase order, if one is required by policy for this type of purchase.• Check that the invoice has the appropriate level of detail to identify the goods or services provided.• Confirm that the invoice is approved by the authorized person, if not authorized in a purchase order. Verify the signature if necessary.• Check that the general ledger coding is accurate and that the account code and fund charged make sense for this type of purchase.• Compare items and quantities billed to evidence that the goods or services were received (packing slip or receiving document).• Compare the vendor name and information, items, and quantities billed to purchase-order terms (policy might allow for a small variance).• Confirm the invoice is not a duplicate (especially if the invoice date is not current or there are any concerns with the source documents).• Ensure the documentation clearly identifies the business purpose of the expenditure.• Review the invoice terms to determine if an early payment discount is offered and if there is sufficient time to take advantage of the discount.• Check that sales or use tax is appropriately applied, if applicable.• If near or at year's end, determine the fiscal year the invoice relates to and ensure it is set to be recorded in the appropriate period.



<p>Employee reimbursement</p>	<ul style="list-style-type: none"> • Compare the reimbursement requests to original, itemized receipts. • Confirm that the receipts and per diem claims are within the start and end trip dates. For a conference, this should reasonably coincide with conference start and end dates (see conference agenda). • Verify the employee did not duplicate the expense by charging it on your government's credit card. • Confirm that the per diem amounts are consistent with policy and are not claimed if, for example, a conference provided meals. • Scan receipts for unusual transactions, personal purchases, unreasonably high or extravagant costs, and excessive gratuities. • Confirm that any outstanding travel advance properly reduces any reimbursement.
<p>Credit card statements</p>	<ul style="list-style-type: none"> • Review the type of items purchased and ensure this is in line with policy parameters. • Verify that all itemized receipts are attached to support the payment. • Confirm there is a business purpose documented for all items purchased. • Verify that the employee did not duplicate the expense, such as on a reimbursement request or via reimbursement by a third party (such as an affiliated association).
<p>Meals</p>	<ul style="list-style-type: none"> • Determine if the names of all attendees who received a paid meal are documented. • Confirm that the business purpose of the meal is documented. • Verify that the receipt is detailed and no unallowable items are included.
<p>Travel advance</p>	<ul style="list-style-type: none"> • Ensure the employee has cleared all prior travel advances before being paid out another one.



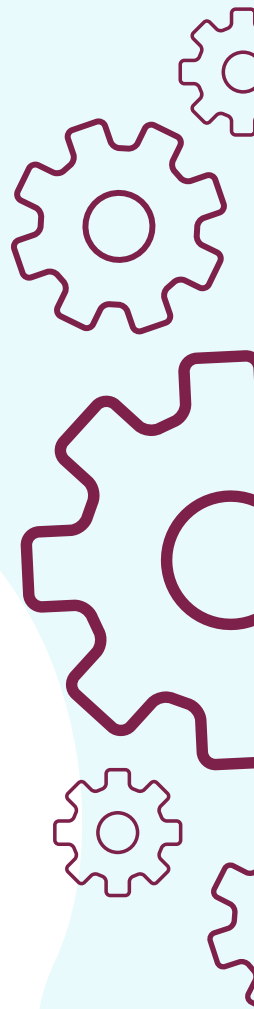
Appendix B: Examples of controls that prevent or detect duplicate payments

There are many types of controls that help prevent duplicate payments. Here are some that you might consider as part of designing your control system and policy.



Type	Description
Controls that prevent duplicates from occurring:	
Software controls	Use software that screens for and flags potential duplicates during the data entry process. Most programs report an exception when the same invoice number and date is entered for a vendor, but this may vary by software program.
Vendor master file	Check the vendor master file regularly for duplicate vendors and remove them. Also, inactivate or purge vendors that are no longer used so there is less opportunity to choose the incorrect vendor.
Invoice receipt protocol	Decide on one way, such as mail or email, that you will receive invoices and restrict your vendors to this one method. Ideally, invoices would be received centrally at one location.
Naming conventions	Standardize how you enter invoice numbers and vendor names to ensure consistency in data entry. Prescribe how to handle capitalization, acronyms, punctuation, and vendors that begin with “The”.
Centralized controls over data entry	Use well-trained, centralized staff to process invoices and other payment requests. This practice is more likely to prevent duplicates than using various departmental staff to assist with data entry.
Purchase orders	The use of purchase orders is a good practice in so many ways. A purchase order will close when all items received are invoiced. This will be a red flag for accounts payable if another invoice is received against that purchase order.

Source documentation	Ensure you have good controls over the types of source documents you pay from. This decreases your risk of paying for the same invoice twice.
Employee diligence	Advise managers to be diligent and careful when reviewing and approving invoices. They should take extra care not to approve the same invoice twice. Finance should follow up with managers who are approving invoices twice and discuss options on how they might better keep track of their approvals. In addition, prior to entering an invoice, an accounts payable clerk might need to confirm it is not a duplicate by verifying unpaid and paid invoices already entered for that vendor, especially if there are red flags such as an older invoice date or missing packing slips.
Rush payments	Limit rush payments to protect against duplicates. A rush request might be for something that has already been processed and not yet paid, especially if you are paying from a check request form instead of an invoice and backup is missing or limited. The more rush payments you process, the higher the risk of duplicates.
Restrict payment methods	Use one payment method per vendor. A vendor paid by a purchasing card might also send an invoice, resulting in a duplicate payment. However, if certain vendors are only paid using one form, this would eliminate this possibility.
Train staff	Share examples of duplicate payments with staff so that they understand these do occur and what to look for.
Controls that detect duplicates after they occur	
Data mining	Use queries or exception reports to identify potential duplicates that are paid, such as to identify invoice numbers that are similar in nature across multiple vendor numbers. Use broader criteria than what your software uses to red flag potential duplicates.
Reconcile vendor statements	Reconcile your records to vendor statements. If your records report more invoices than the vendor's statement displays, then this is probably a duplicate or overpayment and needs to be investigated.



Duplicate payment audit	Contract for a duplicate-payment audit. These are typically performed on a contingency basis by various private entities. Since there is no cash outlay to pay for this service, entities should have little to lose and potentially much to gain by participating.
Monitor problem vendors	Review payment information more frequently for vendors that are known to send repetitive invoices or change their invoice number for second billing copies.

Appendix C: Types of rolling audits

Below is a list of potential audits that an internal audit or an accounts payable supervisor or manager might perform.

Type of audit	Description of general audit scope
Vendor audit	Select vendors and trace payments to supporting documentation, ensuring charges are appropriate, supported, and approved. Reconcile activity to the vendor's statement.
Pricing audit	Test whether prices charged are appropriate.
Duplicate payment audit	Look for suspect invoices or charges that might have been paid twice. Use queries to look for potential duplicates, such as payments for the same dollar amount.
Rebate program audit	Review rebate programs, such as with credit cards, to ensure you are receiving the agreed-upon rebate.

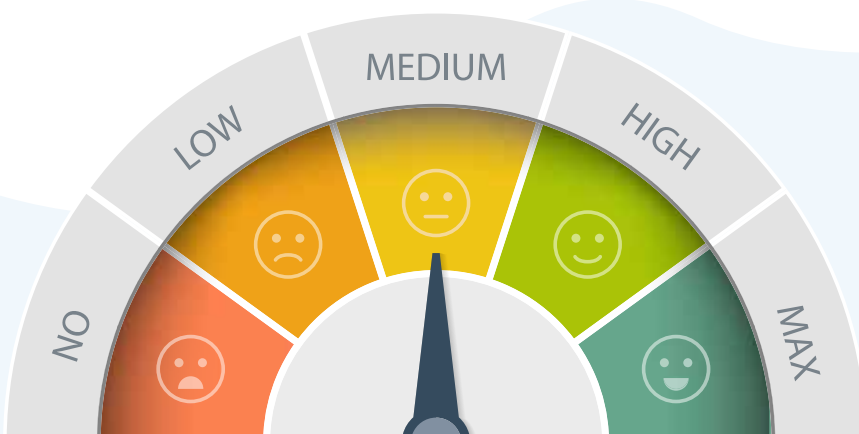


Sales tax audit	Verify sales tax is paid only when appropriate and at the correct rate, given the location, and that use tax is accrued only when it is appropriate to do so.
Returns audit	Audit returns to determine if credit memos have been received as expected.

Appendix D: Performance metrics

Below is list of suggested performance metrics that management can use to monitor or evaluate the accounts payable function.

Metric category	Description of metric
Evaluate performance	Percentage of invoices processed on time (before due date)
	Percentage of invoices processed within X days of receipt
	Average cost per invoice
Measure the impacts of others	Number of invoices with exceptions (that delayed processing or payment)
	Number of manual (rushed) checks handled outside of the scheduled check run
	Number of supplier inquiries, discrepancies, or disputes
Evaluate staffing levels	Total number of invoices received



Effectiveness of controls	Percentage of invoices linked to a purchase order
Degree of automation	Percentage of invoices received or paid electronically
Payment timeliness	Percentage of invoices paid on time
	Percentage of early-pay discounts captured
	Total late payments and penalties

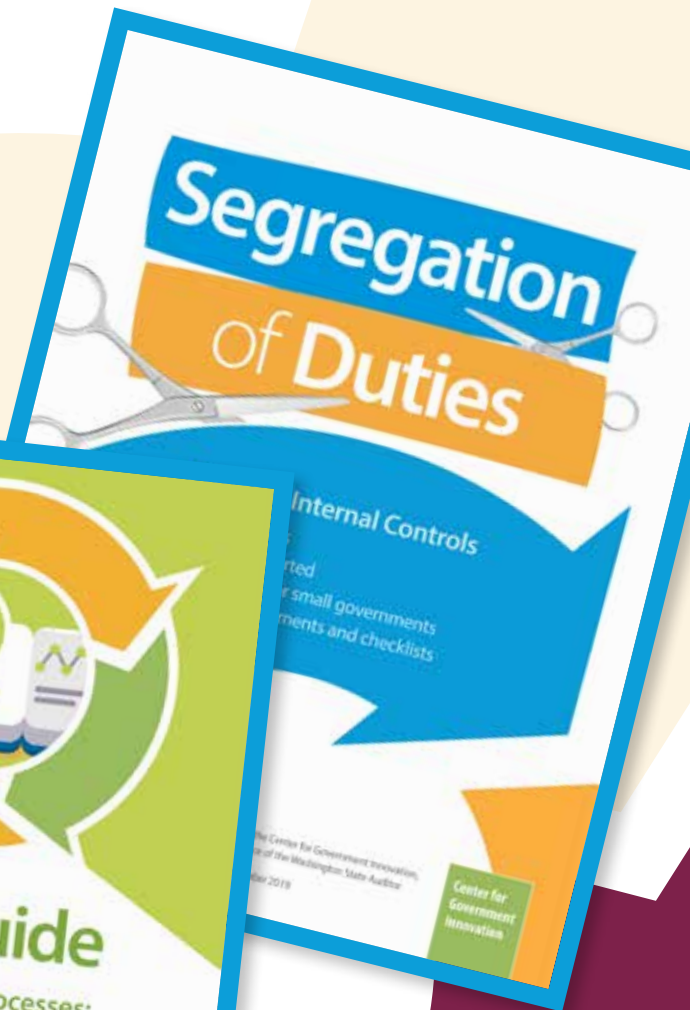


Add this checklist to your tool belt



This self-assessment checklist will help you assess your government's internal control environment for the accounts payable function.

Be sure to check out our Cash Receipting Guide, Payroll Guide, and our Segregation of Duties Guide.





“Our vision is to increase **trust** in government. We are the public’s window into how tax money is spent.”

– Pat McCarthy, State Auditor

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